

AR25

SUDBURY CONTACT MINES,

L I M I T E D




ANNUAL REPORT



F O R T H E Y E A R E N D E D D E C E M B E R 3 1 S T

1976

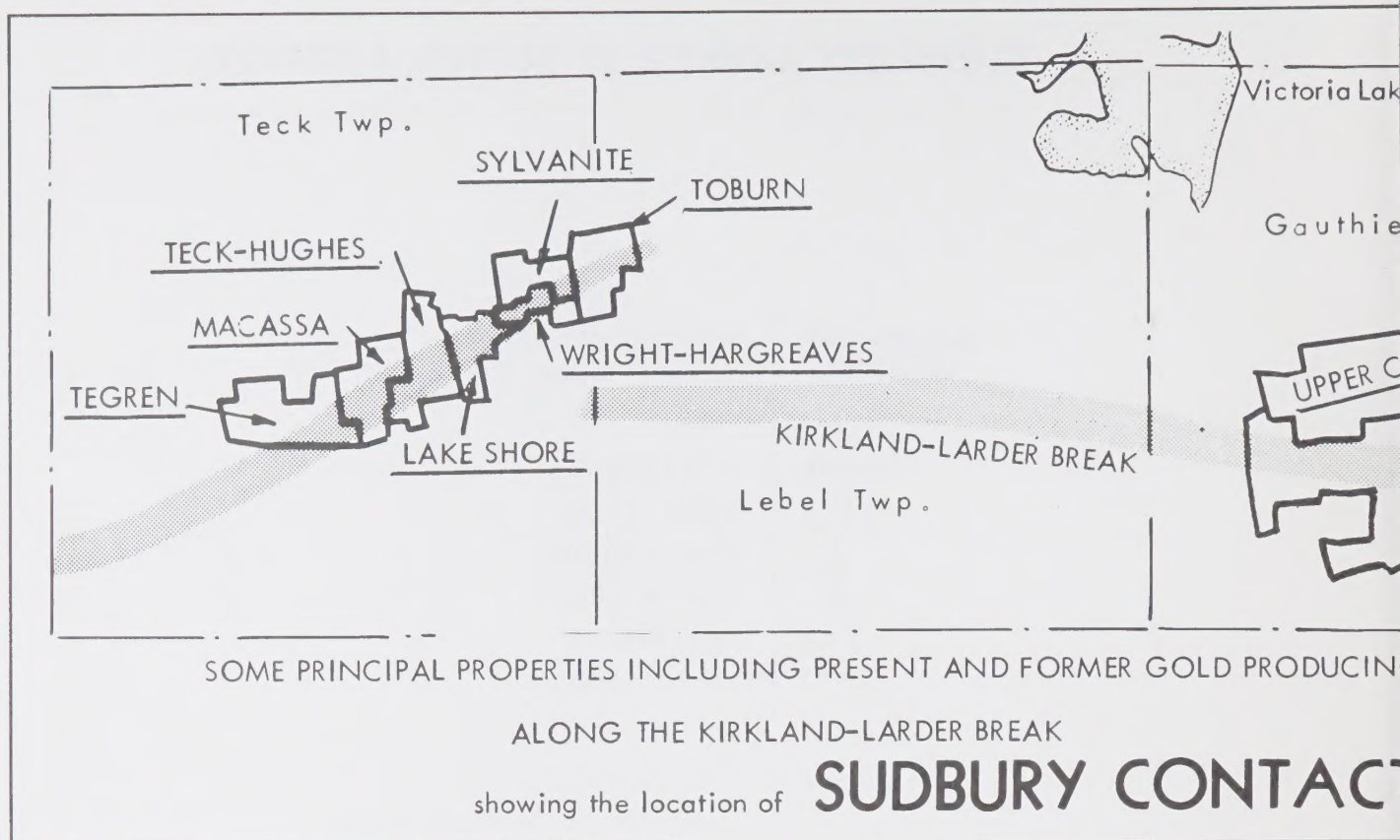


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SUDBURY CONTACT MINES, LIMITED

| | |
|---|---|
| Executive and Head Office | Suite 300, 365 Bay Street Toronto, Ontario, Canada M5H 2V1 |
| Directors | E. L. BAXTER MAURY DRUTZ MILTON KLYMAN JOHN R. MURRAY PAUL PENNA ERNEST SHERIFF |
| Officers | PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i> |
| Consulting Geologist | W. A. HUBACHECK, B.Sc., P.Eng. |
| Transfer Agent and Registrar | Guaranty Trust Company of Canada Toronto, Ontario |
| Auditors | Starkman, Kraft, Rothman, Berger & Grill, Chartered Accountants, Toronto, Ontario |
| Solicitors | Shibley, Righton & McCutcheon Toronto, Ontario |
| Shares Listed | Toronto Stock Exchange Toronto, Ontario |
| Annual Meeting | June 24, 1977, 11:00 a.m. (Toronto Time), Library Room, Royal York Hotel, 100 Front Street West, Toronto, Canada |



Directors' Report to the Shareholders

The Directors present the audited financial statements of the Company for the year ended December 31, 1976 and also the following review of activities during the year.

Further exploration and development of your Company's Kirkland-Larder Lake area gold properties is being deferred awaiting an improvement in gold prices and related favourable capital financing conditions which would be required for the continuation of this project.

The program of exploration and development in connection with this assemblage of 51 mining claims in McVittie and Hearst Townships, Ontario, was centered on the Laguerre Gold Mines' property which was developed to a depth of 790 feet with four levels established at the 250, 420, 590 and 760 foot horizons. A total of 1,750 feet of lateral work was carried out on this property by the former owners.

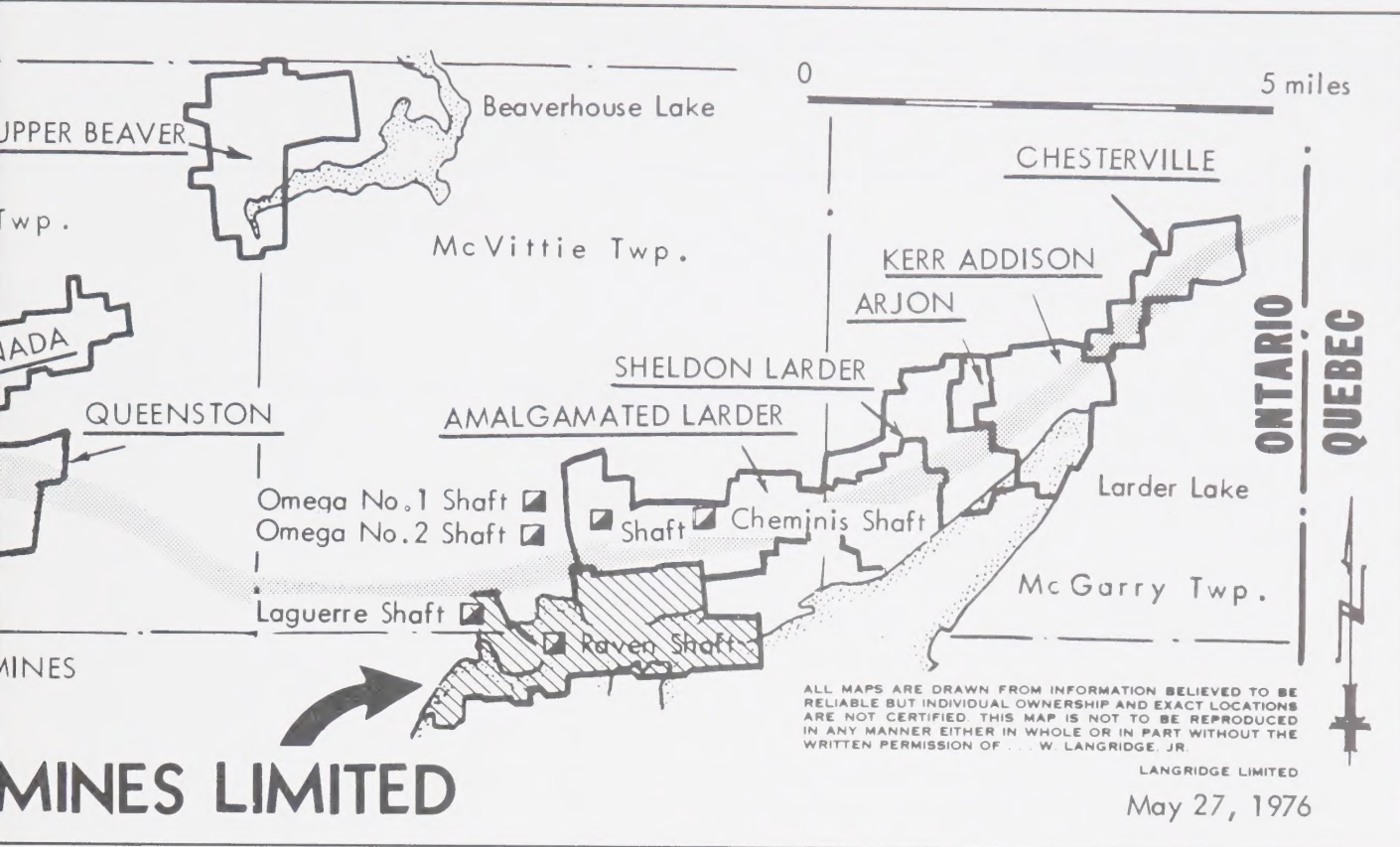
It was necessary to rehabilitate the workings on both the 250 and 760 foot levels which were originally driven by hand equipment and the headings were too small to accommodate mechanical equipment.

Diamond drilling in a ring pattern was carried out from the regularly spaced stations, varying from 50 to 100 feet apart, on both the 250 and 760 foot levels during the period from October of 1975 to March of 1976. A total of 6,850 feet of drilling in 65 holes was completed in this phase of the program.

Exploration of the entire claim group was incomplete when the decision was taken to suspend work during mid-1976, influenced by a working capital deficiency and the sharp decline in gold prices that made further financing for continued work very difficult.

However, it should be noted that the working option on the claims continues to July, 1980 and can be extended for a further three-year period by the cumulative expenditure of \$500,000 on exploration and development. Expenditures to date on this property group closely approximate this amount.

Interest in the general area continues at a fairly high level, as evidenced by the activities of several companies, including Canico, a subsidiary of Inco



Limited, which has optioned the gold prospects of Upper Canada Resources and Queenston Gold Mines in adjoining Gauthier Township to the west; and Kerr Addison, the major gold producer in the area, which is continuing its studies of the contiguous properties of Arjon Gold Mines and Sheldon-Larder Mines, located in McGarry Township, adjoining to the east of McVittie Township.

Kerr Addison has reputedly spent more than \$500,000 in extending a long drive into the Arjon-Sheldon properties from its 3,850 foot level, and following a brief halt in the work last September, was recently reported to have resumed diamond drilling into these two properties.

Canico, which was required to spend a minimum of \$100,000 by December 31, 1976 to maintain its option on the Queenston-Upper Canada properties, reported an unaudited total expenditure between July, 1976 and January, 1977 of \$338,880. Willroy Mines Limited, which owns the producing Macassa gold mine in Teck Township to the west, recently reported a major rehabilitation

program for this mine and also stated it earned a \$360,000 operating profit in the 1977 first quarter.

Status of your Company's other properties remains relatively unchanged from 1975 with the notable exception that the Cabonga area claims in Quebec were dropped at year end as it was felt that indications from work carried out to date did not warrant the increased assessment expenditure.

Working capital deficiency at year end amounted to \$85,497. This compares with a modest working capital at the previous year end of \$15,572. The Company's investments include shares in associated Mentor Exploration and Development Company Limited. At March 31, 1977 its holdings in Mentor amounted to 141,810 shares.

On behalf of the Board of Directors,

Paul Penna
President

May 27, 1977

BALANCE SHEET

AS AT DECEMBER 31, 1976

ASSETS

CURRENT

Cash
Marketable securities, at lower of cost or market (market value 1976 — \$186,707; 1975 — \$178,534)
Loans receivable
Prepaid expenses and sundry receivable

FIXED, at cost

Equipment
Office furniture
Automotive equipment

Less: Accumulative depreciation

Larder Lake buildings and equipment

MINING CLAIMS AND PROPERTIES, at cost (Note 2)

DEFERRED EXPLORATION EXPENDITURES, per statement attached

OTHER

Shares of other mining companies, at cost

LIABILITIES

CURRENT

Bank indebtedness
Accounts payable and accrued charges
Loan payable — 10%

SHAREHOLDERS' EQUITY

CAPITAL

AUTHORIZED

9,000,000 Shares without par value

ISSUED AND FULLY PAID

6,586,250 Shares

DEFICIT

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1976 and the statements of administrative expenses, revenue and deficit, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
March 10, 1977

Approved on behalf of the Board:

PAUL PENNA, Director.

MILTON KLYMAN, Director.

| 1976 | 1975 |
|------------|------------|
| \$ 430 | \$ — |
| 77,575 | 77,575 |
| 1,015 | 33,015 |
| 13,357 | 1,000 |
| 92,377 | 111,590 |
| 21,269 | 21,269 |
| 1,753 | 1,753 |
| 5,184 | 5,184 |
| 28,206 | 28,206 |
| 23,273 | 23,273 |
| 4,933 | 4,933 |
| 44,916 | 96,920 |
| 49,849 | 101,853 |
| 20,300 | 26,801 |
| 476,330 | 578,061 |
| 9,602 | 9,602 |
| \$ 648,458 | \$ 827,907 |

| | |
|---------|-----------|
| \$ — | \$ 21,646 |
| 21,874 | 24,372 |
| 156,000 | 50,000 |
| 177,874 | 96,018 |

| | |
|------------|------------|
| 2,573,500 | 2,573,500 |
| 2,102,916 | 1,841,611 |
| 470,584 | 731,889 |
| \$ 648,458 | \$ 827,907 |

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, REVENUE AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1976

| | 1976 | 1975 |
|---|---------------------------|---------------------------|
| EXPENSES | | |
| Administrative and office services | \$ 9,600 | \$ 9,600 |
| Legal and audit | 7,162 | 10,380 |
| Bank charges and interest | 14,608 | 988 |
| Shareholders' information | 5,514 | 5,730 |
| Miscellaneous | 7,814 | 7,622 |
| Transfer agent fees | 2,129 | 2,455 |
| Depreciation — automotive equipment | — | 356 |
| — furniture and fixtures | — | 91 |
| Directors' fees | 1,000 | 1,000 |
| Licences, taxes and fees | 1,175 | 1,150 |
| | <u>49,002</u> | <u>39,372</u> |
| Less: Gain on sale and revaluation of marketable securities | — | 27,042 |
| Interest and dividends earned | — | 17,404 |
| | <u>—</u> | <u>44,446</u> |
| ADMINISTRATIVE EXPENSES (REVENUE) BEFORE EXTRAORDINARY ITEM | 49,002 | (5,074) |
| Provision for loss on advances to affiliated company | — | 150,000 |
| NET EXPENSES (REVENUE) FOR THE YEAR | <u>49,002</u> | <u>144,926</u> |
| DEFICIT, beginning of year | <u>1,841,611</u> | <u>1,696,685</u> |
| | <u>1,890,613</u> | <u>1,841,611</u> |
| Add: Loss on disposal of fixed assets | 39,927 | — |
| Mining claims and properties allowed to lapse: | | |
| Hebecourt and Duparquet Townships, Quebec | 4,000 | — |
| Cardinal Township, Quebec | 2,500 | — |
| Marmora Township, Ontario | 1 | — |
| Exploration expenditures on mining claims and properties allowed to lapse | <u>165,875</u> | <u>—</u> |
| DEFICIT, end of year | <u><u>\$2,102,916</u></u> | <u><u>\$1,841,611</u></u> |

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1976

| EXPENDITURE DURING YEAR | 1976 | 1975 |
|---|-------------------|-------------------|
| Larder Lake Mining Division, Ontario | | |
| Underground development | \$ 22,778 | \$ 154,774 |
| Shutdown expenses | 13,233 | — |
| Diamond drilling | 12,625 | 12,808 |
| Consulting fees | 6,833 | 15,524 |
| General field expenses | 5,680 | 5,797 |
| Assaying | 2,439 | 3,200 |
| | <u>63,588</u> | <u>192,103</u> |
| Cardinal Township, Quebec, written off | | |
| Licences and taxes | — | 440 |
| Other Properties | | |
| Licences, fees and taxes | 556 | 537 |
| EXPLORATION EXPENDITURES FOR THE YEAR | 64,144 | 193,080 |
| DEFERRED EXPLORATION EXPENDITURES — beginning of year | 578,061 | 384,981 |
| | 642,205 | 578,061 |
| Less: Written off to deficit | 165,875 | — |
| DEFERRED EXPLORATION EXPENDITURES — end of year | <u>\$ 476,330</u> | <u>\$ 578,061</u> |

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES AS AT DECEMBER 31, 1976

| | 1976 | 1975 |
|---|-------------------|-------------------|
| Larder Lake Mining Division, Ontario | \$ 307,953 | \$ 244,365 |
| Montgomery Township, Ontario | 167,815 | 167,329 |
| Thunder Bay Area, Ontario | 562 | 492 |
| Hebecourt and Duparquet Townships, Quebec | — | 111,029 |
| Cardinal Township, Quebec | — | 41,190 |
| Marmora Township, Ontario | — | 13,656 |
| | <u>\$ 476,330</u> | <u>\$ 578,061</u> |

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1976

| | 1976 | 1975 |
|---|--------------------|------------------|
| SOURCES OF WORKING CAPITAL | | |
| Proceeds on sale of equipment | \$ 23,819 | \$ — |
| Gain on sale and revaluation of marketable securities | — | 27,042 |
| Interest and dividends earned | — | 17,404 |
| | <u>23,819</u> | <u>44,446</u> |
| APPLICATIONS OF WORKING CAPITAL | | |
| Administrative expenses | 49,000 | 39,372 |
| Less: Non-current charge to income | | |
| — depreciation | — | (447) |
| | <u>49,000</u> | <u>38,925</u> |
| Provision for loss on advances to affiliated company | — | 150,000 |
| Exploration expenditures | 64,144 | 193,080 |
| Acquisition of mining equipment and buildings | 11,744 | 93,637 |
| | <u>124,888</u> | <u>475,642</u> |
| DECREASE IN WORKING CAPITAL | (101,069) | (431,196) |
| WORKING CAPITAL, beginning of year | 15,572 | 446,768 |
| WORKING CAPITAL (DEFICIENCY), end of year | <u>\$ (85,497)</u> | <u>\$ 15,572</u> |

The accompanying notes form an integral part of these financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1976

Note 1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be without value are written off to deficit with related deferred exploration thereon. The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

Note 2. MINING CLAIMS AND PROPERTIES

The company has acquired a working option on 51 claims in the Larder Lake Mining Division, Ontario to July 17, 1980. If the company spends \$500,000 on exploration and development, the option will be extended for 3 more years. If production is reached, the claims will be transferred to the company subject to a 15% royalty payable to the optionor.

Note 3. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers as defined by the Business Corporations Act aggregated \$1,500.

